

BNSF Railway

Changes to Transportation and Distribution

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BNSF
RAILWAY

We've come a long way...



THEN

- Wagons and roads
- Boxcars and mixed freight

• <http://www.lewiston-ut.org/lewistonhistory/images/GrainWagonHarris.jpg>

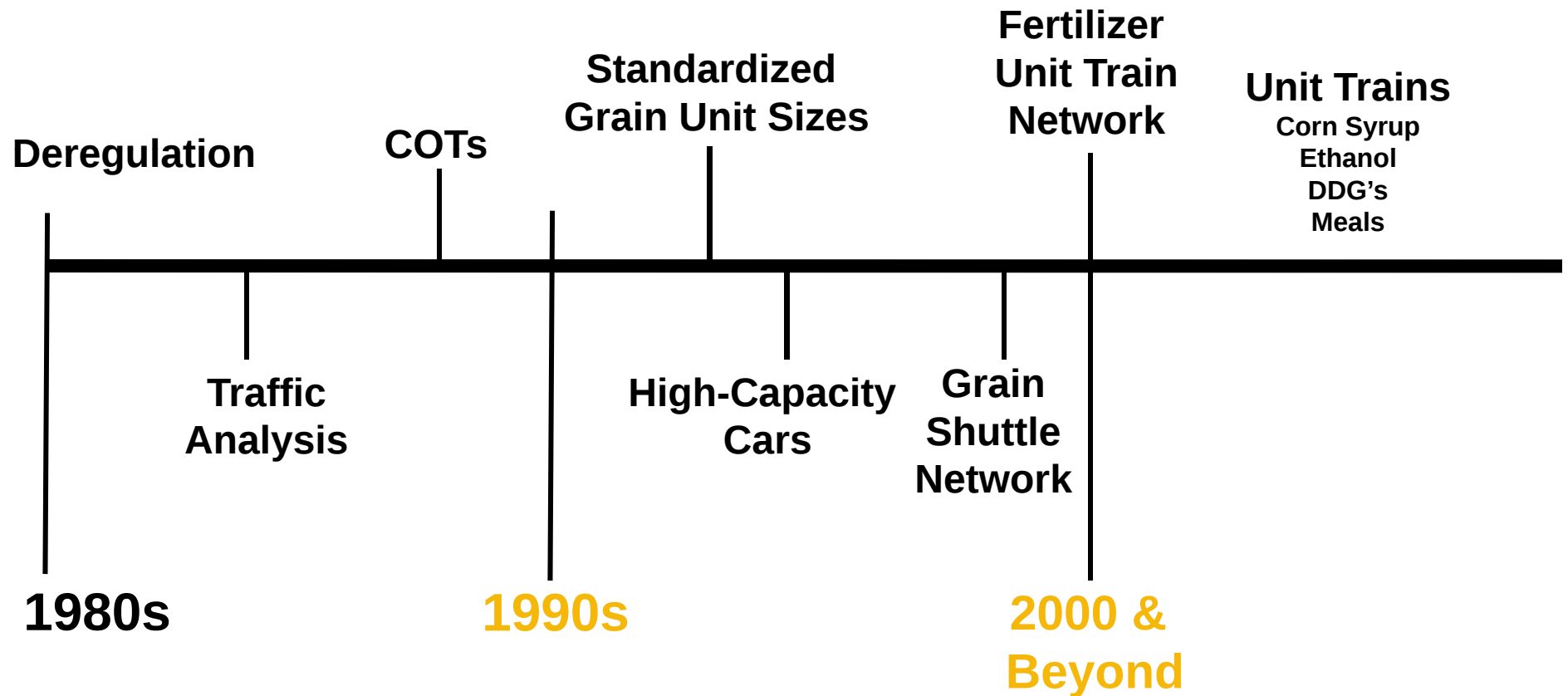
NOW

- Hopper Fleet
- Increased Unitization
- Velocity = Capacity

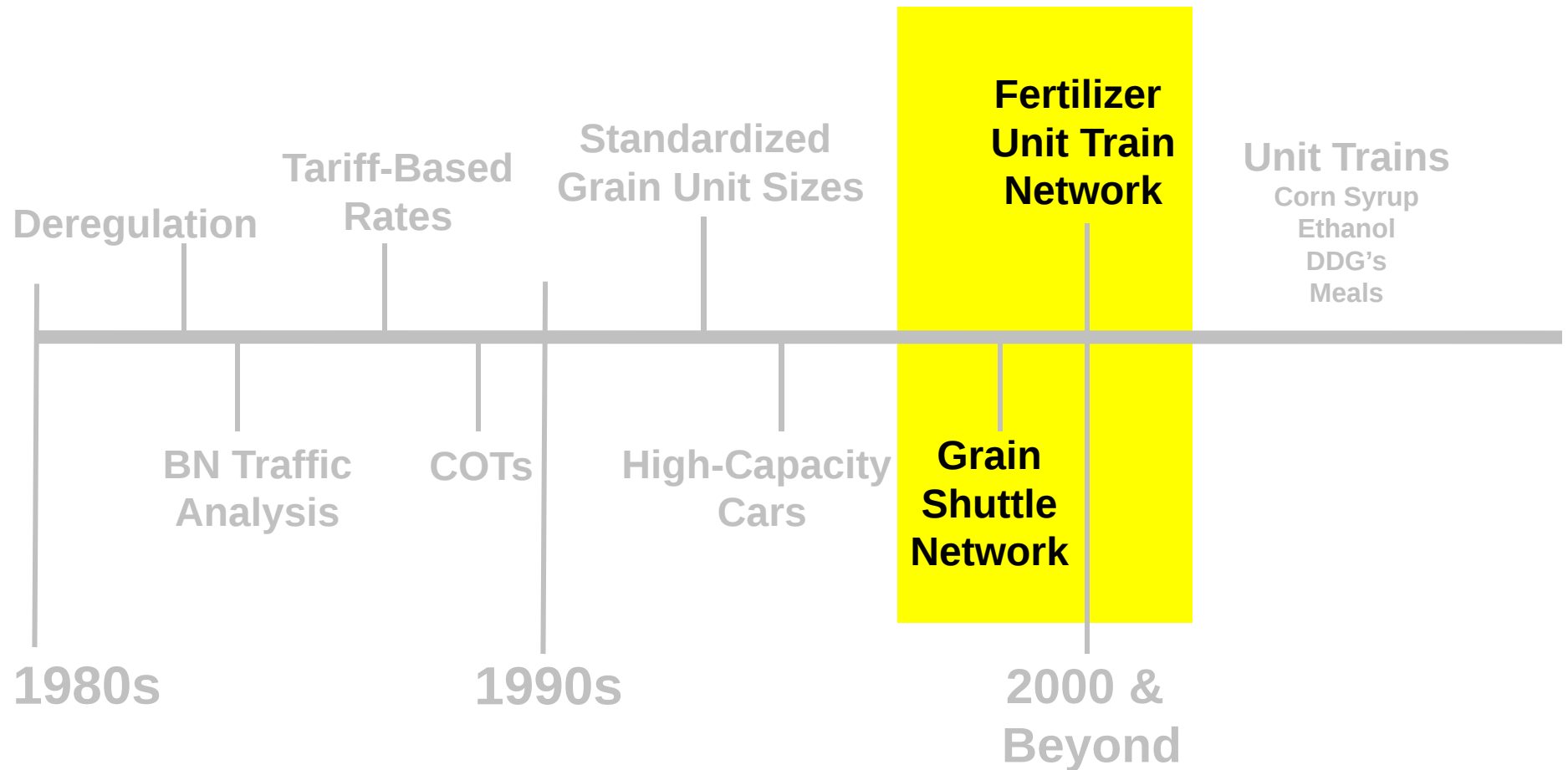


BNSF
RAILWAY

Trends in Ag Rail Transportation



Trends in Ag Rail Transportation



Grain Shuttle Program

Customer Commitment

- 1 or 2 year term
- 110 Straight Line / Loop
Approx. 7400 feet
- 15 Hour Load at Origin
- 15 Hour Unload at Destination
- Certified Scales/Weights
- Electronic Commerce

BNSF Commitment

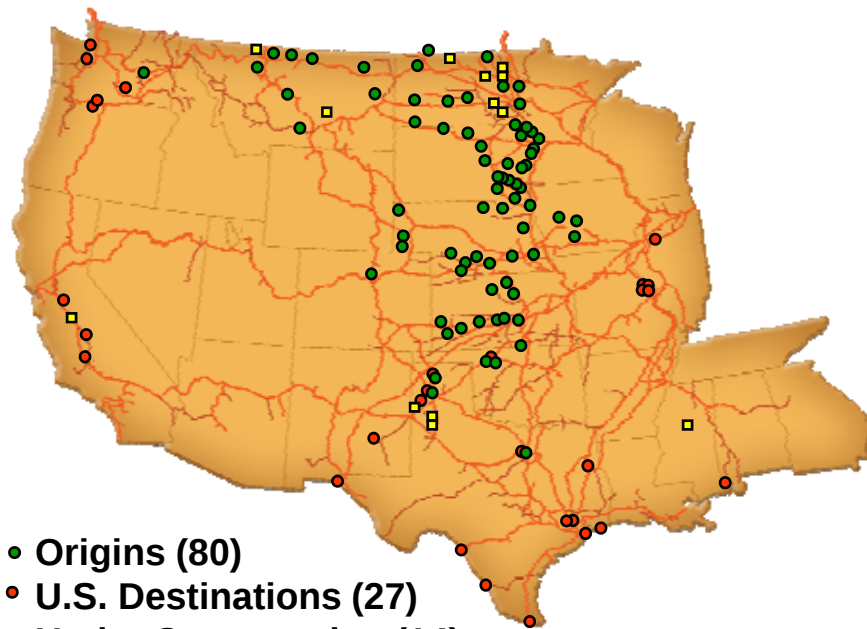
- Dedicated Power
- Dedicated Hopper Cars
- Minimum 2.5 turns per month
- Liquidity and Flexibility
- Rewards Risk

Grain Shuttle Facility



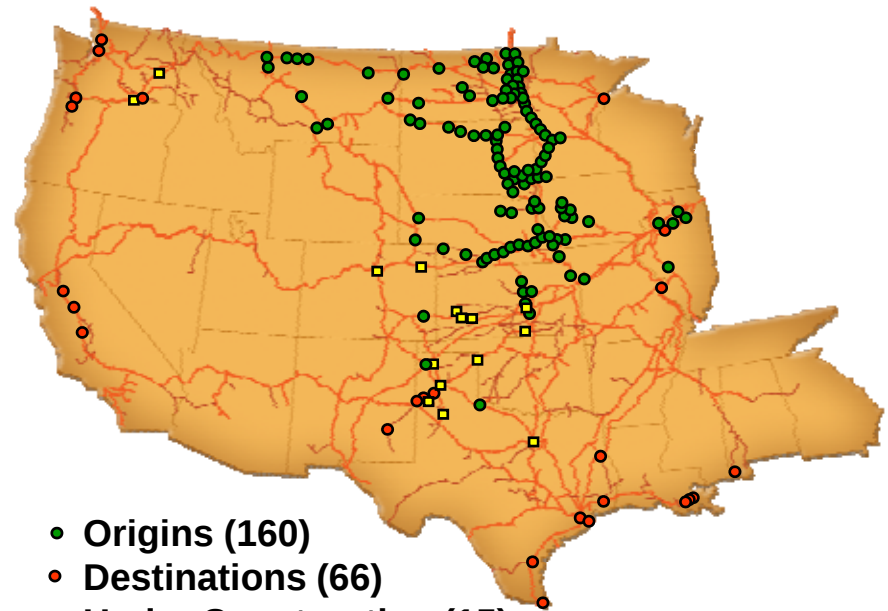
BNSF Grain Shuttle Network

2002



- Origins (80)
- U.S. Destinations (27)
- Under Construction (14)
- 10 Mexican Shuttle Destinations

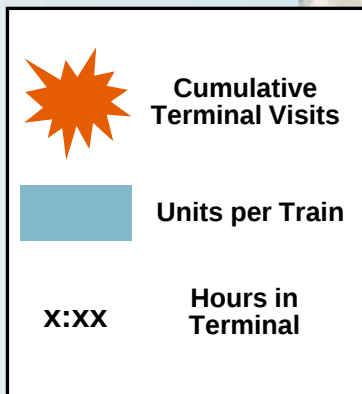
2008



- Origins (160)
- Destinations (66)
- Under Construction (15)
- 29 Mexican Shuttle Destinations

Merchandise Network Move

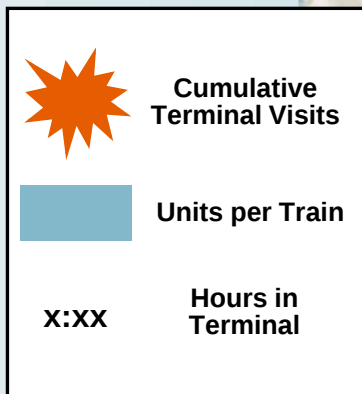
Bowdle, SD to Houston, TX



- 15 day loaded haul
- 6 trains
- 3 low UPT locals
- 6 terminal stops

Shuttle Move

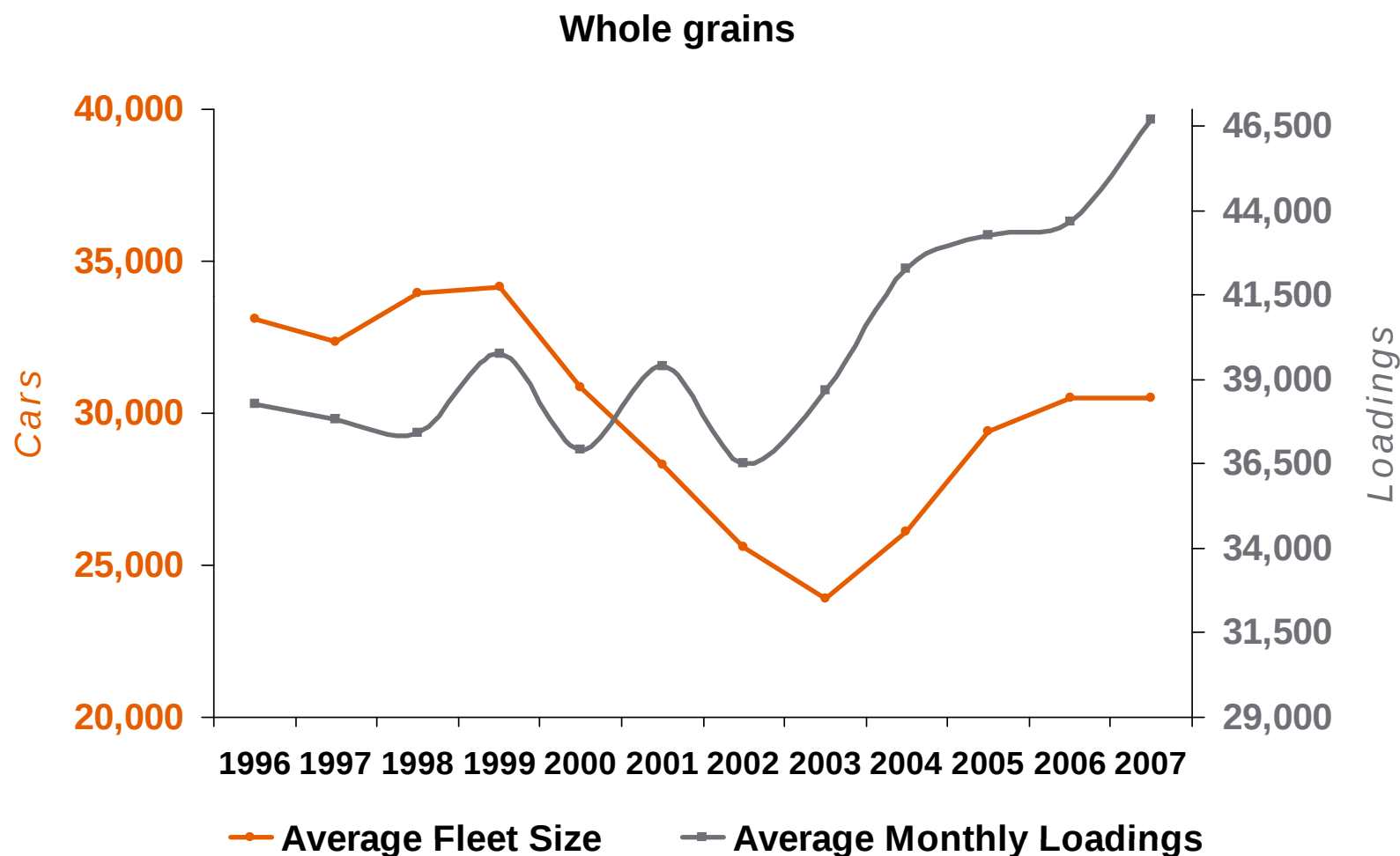
Bowdle, SD to Houston, TX



- 6 day loaded haul
- 1 train
- Maximized UPT
- 0 terminal stops

110

Grain Capacity Has Increased



Shuttle Program Success

- **Customers have invested a billion dollars in shuttle facility upgrades or new facilities on the BNSF**
- **Service has improved dramatically**
 - **Shuttles turn 2.5 times per month vs one time for singles**
 - **Capacity has been created to handle increased agricultural production**
- **Efficiency gains result in cost savings, leading to lower shuttle rates when compared to single carloads**

Evolution to Fertilizer Unit Trains

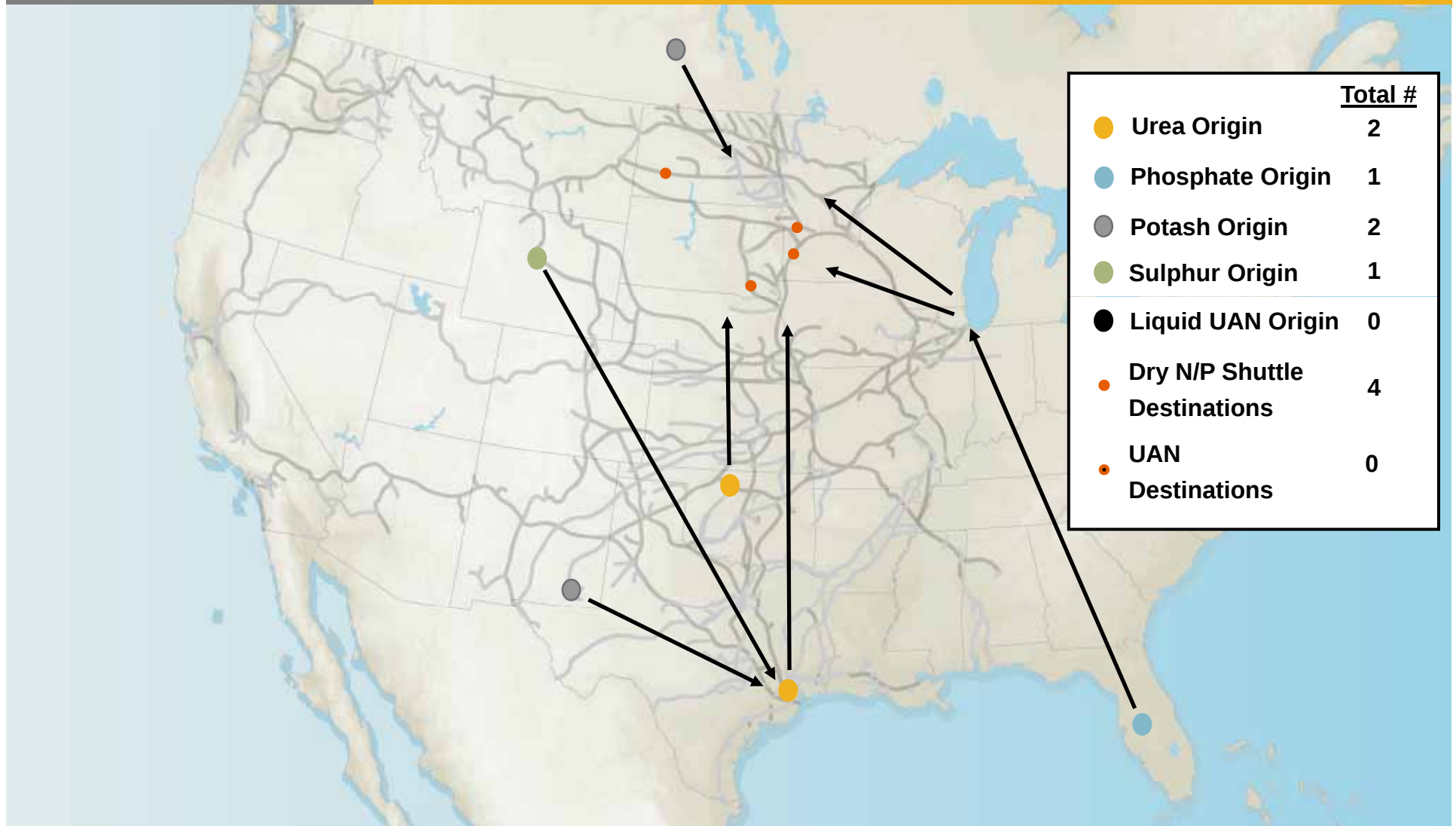
Product Focus:

- **Phosphates**
- **Urea**
- **Potash**
- **UAN**
- **Sulphur**

Service Guidelines:

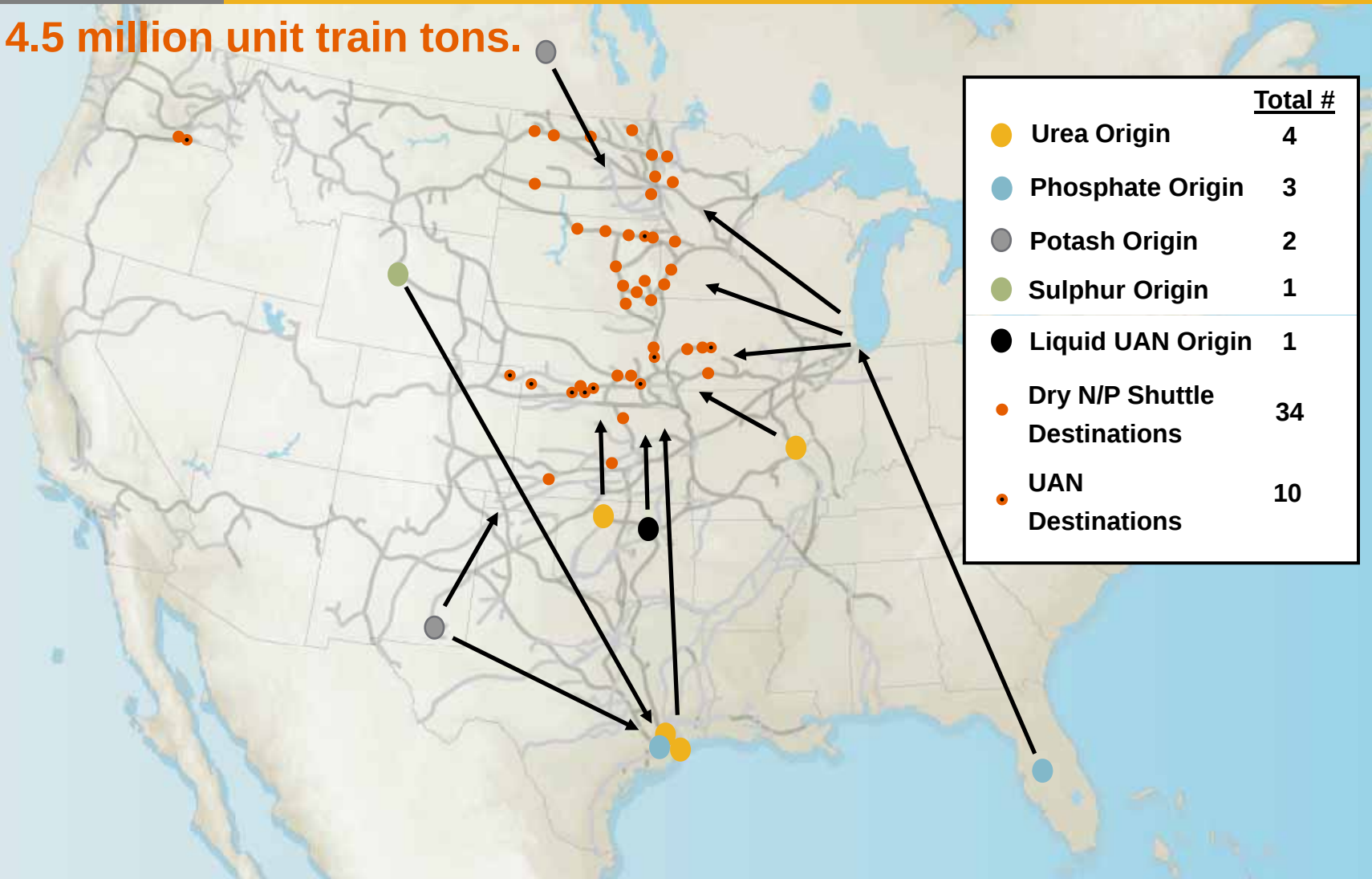
- **Unit Train Program**
 - **65 car train minimum**
 - **24 hour origin load**
 - **15 hour destination unload**

2002 Fertilizer Unit Train Network



2008 Fertilizer Unit Train Network

2008 - 4.5 million unit train tons.



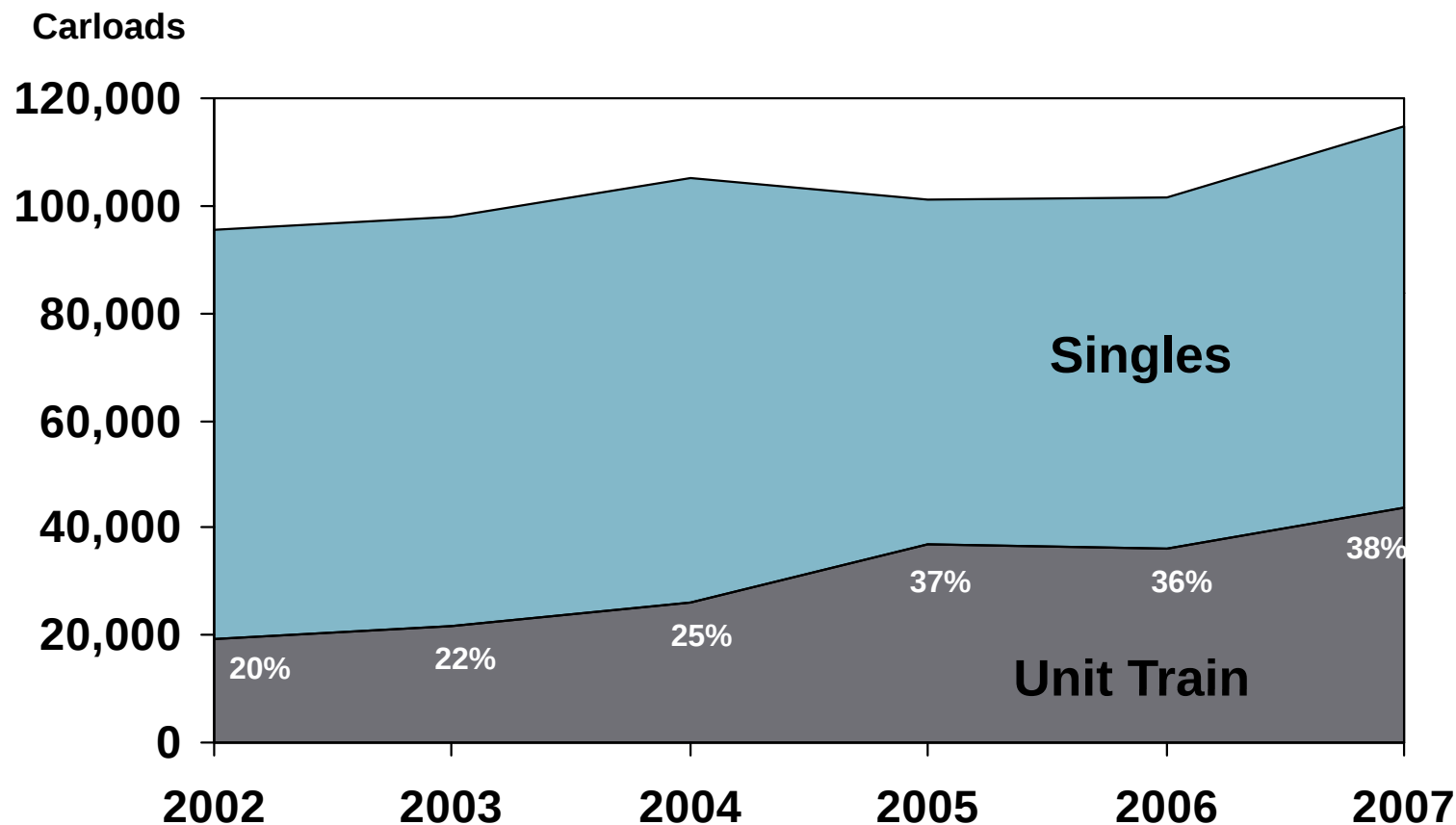
West Con Milbank, SD Terminal



Lange-Stegmann St. Louis Urea Center



Fertilizer Unit Trains are Increasing



Fertilizer Program Success

- **Service and equipment utilization have improved dramatically**
 - **Units turn twice as fast as singles**
 - **Increased capacity**
- **Efficiency gains result in cost savings, leading to lower freight rates when compared to single carloads**
- **Enhanced fertilizer product positioning and purchasing flexibility**
- **Market penetration increased**

What Does the Future Hold?

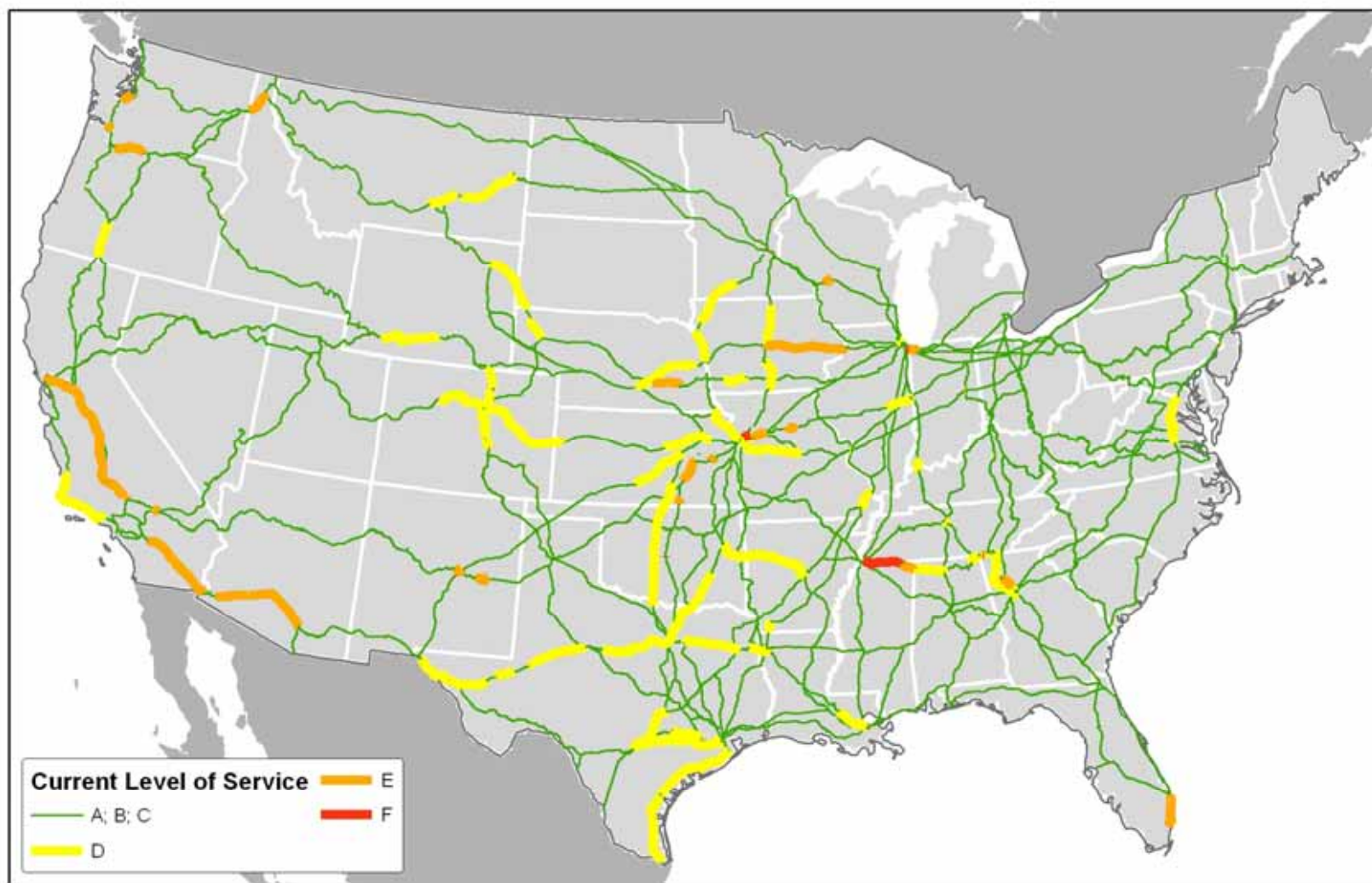
AASHTO forecasts U.S. domestic freight ton-mileage to grow at 2.05% compound annual growth rate from 2005-2020



- **Truck** **2.32% CAGR = 60% increase in 2020**
- **Rail** **1.94% CAGR = 55% increase in 2020**
- **Water** **.68% CAGR = 30% increase in 2020**

Majority of Current Rail Routes are Operating Below Capacity Levels

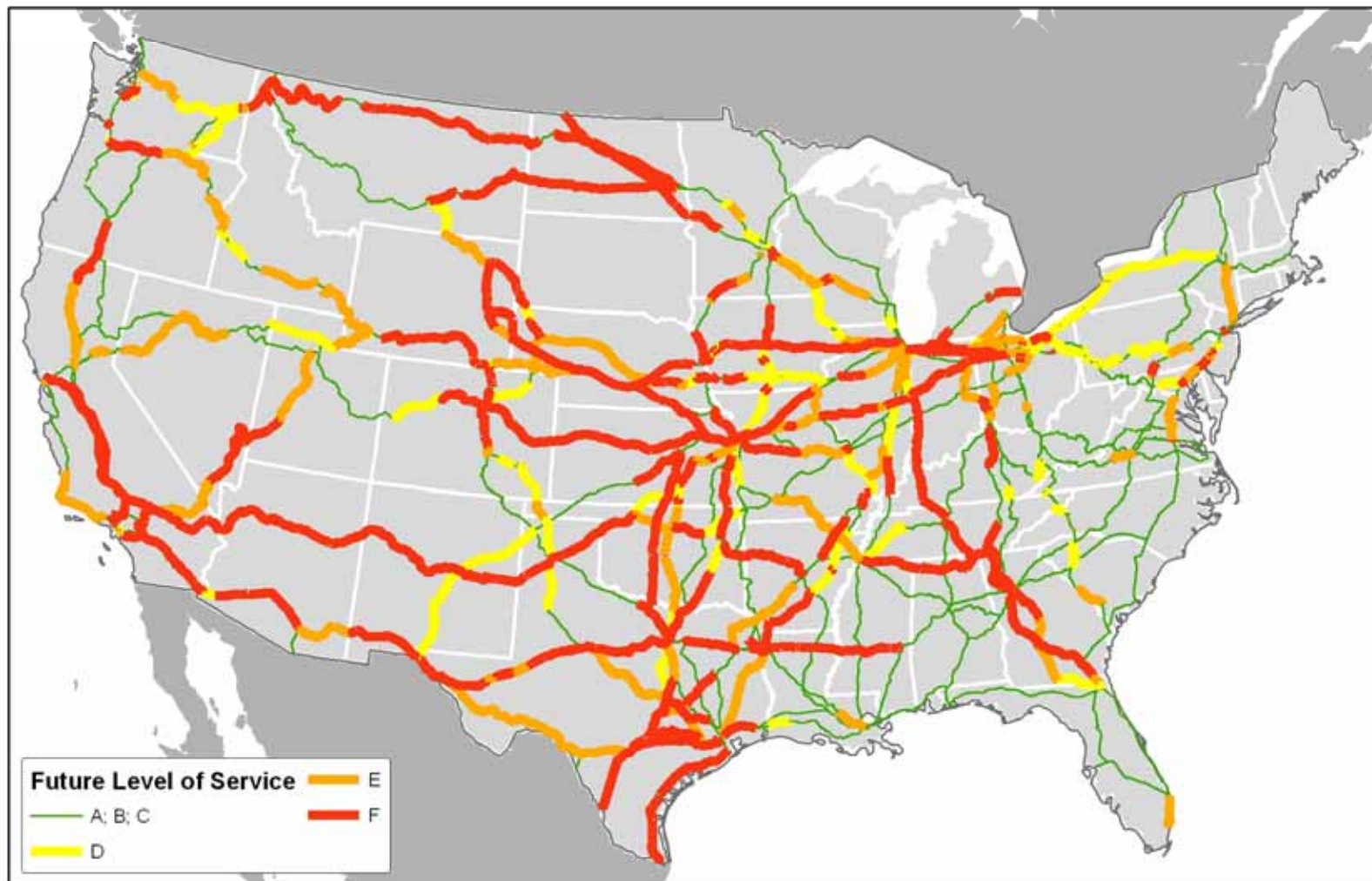
Current Rail Corridor Volumes Compared to Current Corridor Capacity



Source: National Rail Freight Infrastructure Capacity and Investment Study September 2007

Without capacity improvements, congestion would affect nearly every region of the country

**Future Rail Corridor Volumes Compared to Current Corridor Capacity
2035 Without Improvements**



Source: National Rail Freight Infrastructure Capacity and Investment Study September 2007

Railroad Capacity: AAR/Cambridge Study

- Assessed long-term capacity needs of primary rail freight corridors
- Assumed no shift in modal tonnage shares among rail, truck and water beyond those projected by U.S. DOT
- \$39 billion shortfall will occur without a stimulus to bring investments up sooner in their cycle

Class 1 capital investments needed to meet 2035 volume demand

\$135 B



Total Needed

\$39 B



Shortfall

Productivity

Growth

Sources of Capital

Source: National Rail Freight Infrastructure Capacity and Investment Study September 2007



Focus on the Future

- **Continued efficiency gains are critically important to meet capacity needs of the future**
- **Collaborate with customers with existing facilities to maximize service, efficiency and future capital investment**
- **Create new opportunities for unit train moves by building origin and destination operating capacities**
- **Focus on reducing bottlenecks and increasing speed and efficiency**

